

~~1) FYD~~ *mn*
Meeting with Bud McFarlane

26 July 1984

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2) Please return to SA/DCI/IA

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25 July 1984

MEMORANDUM FOR: Director of Central Intelligence

FROM: EA/DCI

SUBJECT: Meeting with Bud McFarlane, 26 July 1984

1. You are scheduled to meet tomorrow at 5:00 p.m. with Bud McFarlane. There are four items on the agenda (three at our initiative and one from the NSC), plus two "not on the agenda but you may wish to discuss" items:

- Buckley Update (CIA Item). DO/NE will provide the latest information on this. Their paper will be up Thursday morning for insertion at TAB A so as to include any last minute developments. Suggest you emphasize the close collaboration between State and CIA at this most delicate point in the proceedings.
- Central America (CIA Item). Included at TAB B are notes prepared by Bob Vickers on Bulgarian arms shipments destined for Central America. (You will recall the Naval Intelligence briefing on Wednesday on their tracking of "Kapitan Petro Voivoda".) Vicker's final point notes the potential impact of L-39 deliveries to Nicaragua on the regional military balance; this may have pertinence to Friday's NSC discussions.
- SNIEs and NIEs (CIA Item). McFarlane had requested that we do a number of NIEs, SNIEs and IIMs. Thursday morning will provide for insertion at TAB C either a copy of the formal response to McFarlane's request or talking points for your use.
- Intelligence Budget (NSC Item). Ken deGraffenreid says that the White House legislative liaison people are concerned that the Congress--particularly HPSCI--may damage NFIP collection capabilities by overly zealous budget cuts. Included at TAB D are IC Staff-prepared talking points on this issue. (FYI - Eloise Page tells me that the House problems are under control but, as you know, we may be facing problems with the SSCI.)

2. The following two items are not on the agenda but you may wish to raise them with McFarlane:

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- Soviet Policy SNIE Talking Points. At TAB F are talking points on SNIE 11-9-84 for Friday's NFIB. Please note that Fritz makes some additional points which he recommends you call to the attention of NSC principals but not the NFIB.

3. Please let me know if there is anything else you will need for this meeting.



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cc: DDCI

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25 July 1984

DCI BRIEFING NOTES

Libyan/Bulgarian Arms Shipment to Nicaragua

There is a strong possibility that a Bulgarian ship, the "Kapitan Petro Voivoda," which departed the Bosphorus on 23 July, may be carrying a Libyan arms shipment to Nicaragua.

-- The ship declared for Cuba, but in late May it delivered a shipment of tanks to El Bluff after declaring elsewhere [REDACTED]
[REDACTED]

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-- Earlier this month, another Bulgarian ship was seen at Tripoli, Libya, apparently loading five L-39 aircraft and other cargo. The ship subsequently returned to Bulgaria.

-- [REDACTED]

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Libyan shipment of arms destined for Nicaragua and Latin American insurgent groups was loaded on a Bulgarian ship in mid-July. The ship was to return to Bulgaria, where the cargo would be transferred to another ship for transport to Nicaragua.

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Intelligence Community analysts are agreed that the delivery of L-39 jet aircraft to Nicaragua would represent a significant increase in Sandinista capabilities.

-- Designed as trainers, they also are capable of ground attack missions similar to US A-37s.

-- The aircraft would be useful to the Sandinistas in a counterinsurgency role, and they would also be an offensive threat to Honduran, Costa Rican, and Salvadoran targets.

Thus although the L-39s probably fall below the threshold of high performance jet aircraft such as MIGs, which we have warned the Soviets not to deliver, they represent an interim step which will impact on the regional military balance.

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NIC #04307-84

The Director of Central Intelligence

Washington, D.C. 20505

(ADVANCE COPY)

MEMORANDUM FOR: The Honorable Robert C. McFarlane
Assistant to the President for
National Security Affairs

SUBJECT: National Intelligence Estimates Program

Thank you for your suggestions on Intelligence Community products. Some of those you request are already underway, and the others we will begin as quickly as possible:

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are classified SECRET/NOFORN

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EXECUTIVE SECRETARIAT
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17	AO/DCI				
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SUSPENSE 27 July
Date

Remarks

* Recommendation please to DCI.
FOR DISCUSSION AT NIC STAFF MEETING, 19 JULY

DCI
EXEC
REG

Executive Secretary
17 July 84

Date

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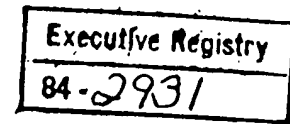
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THE WHITE HOUSE

WASHINGTON

July 16, 1984

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MEMORANDUM FOR THE HONORABLE WILLIAM J. CASEY
The Director of Central Intelligence

SUBJECT: National Intelligence Estimates Program (U)

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Thank you for sharing your proposed estimates program for the coming year and for requesting our comments. We believe that estimates on the subjects listed will provide important information and analysis for senior policy makers. While your program is an ambitious one, I would request that the intelligence community also develop the following:

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ON-FILE NSC RELEASE INSTRUCTIONS
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You may also wish to review our input to the National Intelligence Topics. We appreciate the opportunity to present our priority intelligence needs. (U)

Robert C. McFarlane
Robert C. McFarlane

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Washington Roundup

Soviet Silos

U. S. reconnaissance spacecraft have photographed silos at Plesetsk in the Soviet Union that Reagan Administration officials believe will be used for launch tests of the new SS-X-26 intercontinental ballistic missile. The USSR already has conducted firing tests with the booster for a new missile at Pavlograd in the east-central Ukraine. The silos "measure to the precise diameter that is required for the booster we saw them testing," according to a White House official. This would be the third ICBM developed by the Soviets despite the fact that each side is limited to a single weapon under the unratified SALT 2 agreement. U. S. analysts estimate the new SS-X-26 will have the capacity for an 11,000-lb. payload with extreme accuracy to a range of 7,000 naut. mi.

Algerian Satcom

Export-Import Bank, continuing its campaign against predatory foreign financing, last week took on the Japanese in a competition to sell satellite communications network equipment to Algeria's State Telecommunications Administration. Exim offered an 8% interest rate, a 15-year term and 90% loan coverage to help Scientific-Atlanta, Inc., Atlanta, Ga., win the multimillion-dollar sale, which Exim charges the Japanese are attempting to gain through financing from development assistance funds. Earlier this year the bank defeated French mixed credits, helping Cincinnati Milacron win a machine tools contract from P. T. Nurtanio, the Indonesian aircraft manufacturer (AW&ST Mar. 19, p. 13).

Indonesia plans to build an advanced technology turboprop 100-passenger transport aircraft in cooperation with a foreign manufacturer, according to Bacharuddin Jusuf Habibie, Indonesian minister of state for research and technology. Speaking at Georgetown University, Habibie called for multinational aircraft coproduction and production in Indonesia under license as sources of economic development for his country. The U. S. is a possible partner in the transport project.

Spares Disposal

The Defense Dept. has extended an Air Force-wide freeze on disposal of excess serviceable spare parts and equipment for weapon systems to all Defense inventory items until a review determines corrective actions to cut down on waste (AW&ST June 25, p. 25). Lawrence J. Korb, assistant Defense secretary for manpower, installations and logistics, said a moratorium on the transfer of excess Defense material at 20 Defense inventory points in the U. S. is expected to catch discrepancies in the disposal of spare parts that could have a significant dollar impact. The review will attempt to eliminate the premature sale of usable items and ensure retention of valuable equipment for the life of an active weapon system, Korb said.

The Soviet Union plans to offer Vietnam, a member of the Soviet-controlled Council for Mutual Economic Assistance (Comecon), access to its main technical information processing center in Moscow through a satellite communications link with a ground station in Hanoi. Experimental transmissions to Vietnam's Central Institute of Scientific Information are under way. The Soviet International Center of Scientific and Technical Information was linked a year ago by satellite with Cuba, another Comecon member.

Russell D. Hale, the Air Force assistant secretary for financial management who sparked a wages and contract practices dialogue that finally brought Air Force managers into one room with their union critics, has left the Pentagon to enter private business. Front runner for the financial post is the mayor of Peoria, Ill., lumber merchant Richard E. Carver.

Closed Session

American Institute of Aeronautics and Astronautics has about 35,000 members and its headquarters thought they should be provided with an overview of the Strategic Defense Initiative program directly from the SDI chief, USAF Lt. Gen. James A. Abrahamson, at an Aug. 7-9 symposium. So AIAA accepted sponsorship from what it calls a "DOD user agency" and, sure enough, not all that many members are going to get to hear the general or his deputy, Brig. Gen. Robert E. Rankine, or anyone else for that matter. The catch is the usual DOD spookiness—the attendee must be a U. S. citizen and hold a valid secret clearance.

—Washington Staff

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PROPOSED TALKING POINTS

SNIE 11-9-84: "SOVIET POLICY TOWARD THE US IN 1984" (DRAFT)

Our purpose is to identify and fix any major problems with this SNIE so that it may be completed quickly. It is needed by policymakers in the mid-August time frame at the latest.

As you know, Mr. McFarlane asked for a SNIE on the possibility that the Soviets might be preparing for some major confrontational move in the short term, based on a variety of worrisome activities we continue to see.

We decided to examine this in the context of an overall assessment of current Soviet policy toward the US and various options the Soviets have.

A key issues is the degree to which they might affect or exploit the US political environment leading up to the elections.

Optional Summary of SNIE's Key Judgments

The main judgment of this SNIE is that the Soviets are most likely to continue for the next six months or so the mixed policy we've seen in the past several weeks, very stubborn officially but constantly throwing out hints of progress.

Their chief aims are to put the Administration on the defensive politically and to elicit maximum concessions, especially on space arms control, which they can pocket for later dialogue.

Should space talks start, they are very likely to resist early progress, blaming stalemate on the US. Because the very fact of talks would be a plus for the Administration, there is a fair chance they'll stage some sort of break-off of the talks.

This Soviet policy serves external and internal goals. There may be some arguments over tactics, but we see no basic dispute in the Soviet leadership over policy toward the US.

It is very unlikely that the Soviets are preparing for a major military confrontation in the short run.

Continued war-scare propaganda and other signals of this sort are part of the USSR's current political strategy toward the US.

Soviet military activities fit with long-term programs to increase military readiness and strength, as we judged in the SNIE of May.

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Nor do we see a real prospect for a turn toward more fundamental accommodation with the US. At most the Soviets are angling for a political atmosphere in which they can pursue expansionist goals while shackling US ability to resist.

There is a fair chance that the Soviets will exploit some regional crisis to hurt the Administration or take advantage of pre-election inhibitions.

There will be an insurgent offensive in El Salvador. It is likely that the Soviets will try gradually to put advanced fighters into Nicaragua, hoping the US will be unable to react.

Joint Soviet and Indian pressure on Pakistan could produce a nasty situation in coming months.

The Iran-Iraq war could generate new Soviet initiatives, most likely continued efforts to advance diplomatically among Iran and the Gulf states, possibly military pressure on Iran for a quick end to the war.

Although the Soviets have been reminding the West of Berlin's vulnerability, we don't see a major Soviet escalation of pressure there.

Additional Comment for Use with NSC Principals

The Soviets are trying slightly more flexible tactics because complete inflexibility over the past year did not work politically.

Very careful handling can lay the groundwork for more of a dialogue in the second term. BUT...

The Soviets are not now looking for real progress. They want to discredit or deflect the main directions of the President's policy, now and after the elections, to impact on the Administration itself, the Congress, and the public.

They will make no substantial concessions themselves but seek to pocket US pre-election concessions for post-election negotiations.

The more eager the US is for the appearance of progress in US-Soviet relations the more likely is it that the Soviets will expect US underreaction to Soviet moves in regional crises. This is the greatest danger of the present situation.

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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC #04282-84
25 July 1984

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH: Vice Chairman, National Intelligence Council
Chairman, National Intelligence Council

FROM: Fritz W. Ermarth
National Intelligence Officer for USSR-EE

SUBJECT: Talking Points on SNIE 11-9-84: "Soviet Policy toward the
US in 1984" for NFIB (27 July 1984) and Discussions with
NSC Principals

1. Attached are talking points on the subject SNIE. They are designed for use both at Friday's NFIB meeting and for your regular discussions with NSC principals. The Secretaries of State and Defense may have gotten some word about the SNIE's contents through their NFIB agencies. I've had informal discussions on its status with NSC staffers to get updates on current US policies toward the Soviets.

2. At NFIB, you may wish to preempt the discussion by briefly summarizing the SNIE with the optional points supplied.

3. Should you discuss the SNIE with NSC principals, they will want a quick summary of this sort. Your transmission of same may actually do the main work of this project.

4. For use with NSC principals, but not NFIB, I've added a few cautionary points about the policy implications of this SNIE's main conclusions. In a word, beware the dancing bear. Domestic political preoccupations on the part of many senior US figures, plus wishful thinking on the part of a few others that the Soviets are moving toward a fundamental change of course favorable to us, could give the Soviets some of what they are after: A major deflection of Administration policy in a second term.


Fritz W. Ermarth

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